

**Exhibit B**  
**Budget Detail and Payment Provisions**

**1. Invoicing and Payment**

- A. For services satisfactorily rendered, and upon receipt and approval of the invoices, the State agrees to compensate the Contractor for actual expenditures incurred in accordance with the rates and/or allowable costs specified herein.
- B. Invoices shall include the Agreement Number and shall be submitted not more frequently than monthly in arrears to:

Mr. Jerry Stanger  
California Department of Health Services  
Payment Systems Division  
MS 4700  
P.O. Box 997413  
Sacramento, CA 95899-7413

- C. Invoices shall:

- 1) Be prepared on Contractor letterhead. If invoices are not on produced letterhead invoices must be signed by an authorized official, employee or agent certifying that the expenditures claimed represent actual expenses for the service performed under this contract.
- 2) Bear the Contractor's name as shown on the agreement.
- 3) Identify the billing and/or performance period covered by the invoice.
- 4) Itemize costs for the billing period in the same or greater level of detail as indicated in this agreement. Subject to the terms of this agreement, reimbursement may only be sought for those costs and/or cost categories expressly identified as allowable in this agreement and approved by CDHS.
- 5) Report expenses attributed to Disabled Veteran Business Enterprise (DVBE) subcontractors or DVBE suppliers at any tier (if any). This requirement only applies if the Contractor identified DVBEs for participation during the selection or negotiation process.

**2. Budget Contingency Clause**

- A. It is mutually agreed that if the Budget Act of the current year and/or any subsequent years covered under this Agreement does not appropriate sufficient funds for the program, this Agreement shall be of no further force and effect. In this event, the State shall have no liability to pay any funds whatsoever to Contractor or to furnish any other considerations under this Agreement and Contractor shall not be obligated to perform any provisions of this Agreement.
- B. If funding for any fiscal year is reduced or deleted by the Budget Act for purposes of this program, the State shall have the option to either cancel this Agreement with no liability occurring to the State, or offer an agreement amendment to Contractor to reflect the reduced amount.

**3. Prompt Payment Clause**

Payment will be made in accordance with, and within the time specified in, Government Code Chapter 4.5, commencing with Section 927.

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**4. Timely Submission of Final Invoice**

- A. A final undisputed invoice shall be submitted for payment no more than ninety (90) calendar days following the expiration or termination date of this agreement, unless a later or alternate deadline is agreed to in writing by the program contract manager. Said invoice should be clearly marked "Final Invoice", thus indicating that all payment obligations of the State under this agreement have ceased and that no further payments are due or outstanding.
- B. The State may, at its discretion, choose not to honor any delinquent final invoice if the Contractor fails to obtain prior written State approval of an alternate final invoice submission deadline. Written State approval shall be sought from the program contract manager prior to the expiration or termination date of this agreement.

The Contractor is hereby advised of its obligation to submit, with the final invoice, a "**Contractor's Release (Exhibit F)**" acknowledging submission of the final invoice to the State and certifying the approximate percentage amount, if any, of recycled products used in performance of this agreement.

**5. Progress Payment**

Notwithstanding provisions to the contrary, all compensation for services provided under this agreement will be made pursuant to the terms of Exhibit B, Attachment I, to this agreement. The provisions of Exhibit B - Attachment I, supercede and replace any and all conflicting RFP provisions.

The State will not provide payment for any invoice that seeks reimbursement that has not been submitted and paid within two (2) years of the date of service.

**6. Advance Payments**

Nonprofit organizations may be allowed to request advance payments according to DHS guidelines after the contract is executed. If applicable, detailed provisions will appear in the resulting contract.

**7. Expense Allowability / Fiscal Documentation**

- A. Invoices, received from a Contractor and accepted and/or submitted for payment by the State, shall not be deemed evidence of allowable agreement costs.
- B. Contractor shall maintain for review and audit and supply to DHS upon request, adequate documentation of all expenses claimed pursuant to this agreement to permit a determination of expense allowability.
- C. If the allowability or appropriateness of an expense cannot be determined by the State because invoice detail, fiscal records, or backup documentation is nonexistent or inadequate according to generally accepted accounting principles or practices, all questionable costs may be disallowed and payment may be withheld by the State. Upon receipt of adequate documentation supporting a disallowed or questionable expense, reimbursement may resume for the amount substantiated and deemed allowable.

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- D. If travel is a reimbursable expense, receipts must be maintained to support the claimed expenditures. For more information on allowable travel and per diem expenses and required documentation, see Exhibit G entitled, "Travel Reimbursement Information".
- E. Costs and/or expenses deemed unallowable are subject to recovery by CDHS. See provision 8 in this exhibit entitled, "Recovery of Overpayments" for more information.

**8. Recovery of Overpayments**

- A. Contractor agrees that claims based upon a contractual agreement or an audit finding and/or an audit finding that is appealed and upheld, will be recovered by the State by one of the following options:
  - 1) Contractor's remittance to the State of the full amount of the audit exception within 30 days following the State's request for repayment;
  - 2) A repayment schedule which is agreeable to both the State and the Contractor.
- B. The State reserves the right to select which option will be employed and the Contractor will be notified by the State in writing of the claim procedure to be utilized.
- C. Interest on the unpaid balance of the audit finding or debt will accrue at a rate equal to the monthly average of the rate received on investments in the Pooled Money Investment Fund commencing on the date that an audit or examination finding is mailed to the Contractor, beginning 30 days after Contractor's receipt of the State's demand for repayment.
- D. If the Contractor has filed a valid appeal regarding the report of audit findings, recovery of the overpayments will be deferred until a final administrative decision on the appeal has been reached. If the Contractor loses the final administrative appeal, Contractor shall repay, to the State, the over-claimed or disallowed expenses, plus accrued interest. Interest accrues from the Contractor's first receipt of State's notice requesting reimbursement of questioned audit costs or disallowed expenses.

In the event of a conflict between the provisions of Exhibit B and Attachment I to Exhibit B, the provisions of Attachment I to Exhibit B shall govern.

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## **1. INTRODUCTION**

This Section defines the basis of payment for services provided under the terms of this Contract. The CDHS will compensate the Contractor for services provided under the following seven (7) Contract Sections:

- A. Takeover;
- B. Operations:
  - 1) Enrollment/Disenrollment Transactions;
  - 2) Health Care Options (HCO) Informing Packet Mailings;
  - 3) Telephone Call Center; and
  - 4) Medi-Cal Publications Management Services
- C. Hourly Reimbursement:
  - 1) Enrollment Services Representatives (ESRs)
- D. Additional Contractual Services;
- E. Change Orders and Amendments;
- F. Cost Reimbursement; and
- G. Turnover

All of these payment categories shall be paid according to the price schedules and under the terms and conditions described in this Exhibit. Included in the terms and conditions described in this Exhibit are certain precedent-to-payment conditions that require the CDHS to receive specific goods or services before releasing payment to the Contractor.

### **1.1 TAKEOVER**

The Takeover Section constitutes all contractual responsibilities required of the Contractor to assume responsibility for the operation of the HCO Program, as defined in Exhibit A, Attachment I, Takeover. Payment for Takeover will be a price bid to include all cost associated with Takeover activities with the exception of those items paid under Section 1.14, Cost Reimbursement below.

If the incumbent is the successful bidder for this Contract, and the CDHS determines that certain Takeover requirements are not necessary, then the Contractor's Takeover price bid shall be reduced by a Change Order so that the Contractor is not paid for any Takeover requirements that the Contracting Officer identifies as no longer required.

Takeover shall be paid as follows:

**A. Takeover Percentage Payment**

Fifty percent (50%) of the Contractor's price bid for Takeover will be paid in equal monthly installments over the term of the Takeover period. The first installment shall be made upon the CDHS acceptance and approval of the updated Takeover Work Plan. The Takeover Schedule, as identified in Exhibit A, Attachment I, Takeover, Section 1.5, shall serve as the basis for payment of subsequent installments. Each installment is payable, in arrears, upon completion of the Takeover deliverables, scheduled for that month and all preceding months, and upon written CDHS approvals.

**B. Takeover Completion Criteria and Final Payment**

The remaining fifty percent (50%) of the Contractor's Takeover price bid will be paid in one installment. This installment is payable, in arrears, after all of the contractual requirements specified in Exhibit A, Attachment I, Takeover, are met and approved by the CDHS in writing.

**1.1.1 TAKEOVER INVOICING**

The Contractor shall submit the installment invoices, identified above, for payment by the CDHS only after the CDHS has approved, in writing, the required deliverables. Invoices shall include supporting documentation that demonstrates that Takeover deliverables have been submitted to and approved by the CDHS.

Takeover invoices will not be accepted for payment more than one (1) year after the completion of the Takeover period unless this provision is waived in writing by the CDHS. In the event Takeover deliverables and/or corrections to the deliverables are received more than one (1) year after the completion of the Takeover period, they shall not be subject to payment.

**1.2 OPERATIONS**

Payment for Operations includes all of the contractual responsibilities required for the Contractor to administer and operate the HCO Program with the exception of the contractual responsibilities that are paid under Hourly Reimbursement, Section 1.10 below, and Cost Reimbursement, Section 1.14 below. Payment for Operations activities will be based on four (4) categories. The payment categories for Operations are as follows:

- A. Enrollment/Disenrollment Transactions;
- B. HCO Informing Packet Mailings;
- C. Telephone Call Center; and
- D. Medi-Cal Publications Management Services.

The Enrollment/Disenrollment Transactions, HCO Informing Packet Mailings, and Telephone Call Center shall be referred to collectively as TMTCCs.

### **1.2.1 OPERATIONS PAYMENT PHASES**

Operations payments will be applicable to the following seven (7) distinct phases:

- A. Phase 1 commences upon the Assumption of Operations by the Contractor and will continue for nine (9) months.
- B. Phases 2, 3 and 4 will consist of the next three (3), twelve (12) month periods.
- C. The three (3) optional one (1) -year extensions as described in Exhibit E, Additional Provisions, will consist of twelve (12) months each and shall be called Extension Phase 1, Extension Phase 2, and Extension Phase 3.

The above-described phases apply to each operational category.

### **1.2.2 OPERATIONS PAYMENT METHODOLOGY – BASE VOLUME METHOD OF PAYMENT**

The Base Volume Method of Payment (BVMP) will be used to calculate the Contractor's payments for TMTCCs. Attachments 16-2 through 16-4 provide the TMTCC volumes and price bids for each phase, including the three (3) extension phases.

The BVMP calculates TMTCC payments as follows:

- A. If the actual payable TMTCC units fall within the Base Volume Range (BVR), the Contractor will be paid the price bid for that range.
- B. If the total units fall within multiple ranges outside the BVR, the units that fall outside of the BVR will be multiplied by the applicable plus/minus price bid(s) and then added or subtracted to/from the BVR price bid.

### **1.2.3 MONTHLY BVMP CALCULATION**

Payment for TMTCCs will be made monthly and will be calculated by the Contractor by dividing the BVR price bid for a given phase by twelve (12) (except for Phase 1, which will be divided by nine (9)). If the actual monthly payable TMTCCs fall within the monthly BVR, the Contractor's payment will be 1/12 of each BVR price bid and no further adjustment will be necessary. This shall constitute full payment for TMTCCs.

### **1.2.4 MONTHLY RECONCILIATION OF BVMP**

This shall apply only to monthly reconciliation of BVMPs. In order to avoid major end-of-phase adjustments for TMTCC payments, reconciliation of TMTCCs shall be made by the Contractor on a monthly basis based on a cumulative of the minimum and maximum of the BVR. To determine each month's minimum and maximum, the phase minimum and maximum shall be divided by the number of months in the phase. To determine the monthly cumulative minimum and maximum, the monthly minimum and maximum will be multiplied by the number of months elapsed for the phase. For example, the fifth (5<sup>th</sup>)



month of payment cumulative minimum and maximum shall be calculated by dividing the annual minimum and maximum by twelve (12) (except for Phase 1, as described above) and multiplying by five (5). The cumulative minimum and maximum shall form the basis for the monthly adjustment.

Monthly payments for TMTCCs will be the BVR price bid for the particular phase prorated by the number of months in the phase. The Contractor will be paid that monthly amount adjusted as required by actual volume levels. For example, the Contractor will be paid, monthly, one-twelfth ( $1/12^{\text{th}}$ ) (except for Phase 1) of the price bid for the BVR with volume level BVMP payments or reductions applied.

The first reconciliation of each phase shall be based on the monthly base, minimum, and maximum TMTCC amounts. As described above, monthly amounts are simply the total of the phase bid rates divided by the number of months in the phase. If the first month's TMTCC actual volumes fall between the monthly minimum and maximum volumes, the resulting reconciliation amount is simply the monthly BVR price bid. If the first month's actual volume is below the monthly minimum, or above the monthly maximum, the monthly base reconciliation amount shall be adjusted using the plus or minus range bid rates. If the first month's actual volumes fall within a plus range, the plus range bid rates will be multiplied by the actual volume within that range and then added to the monthly BVR amount. If the first month's amount falls within a minus range, the minus range bid rates will be multiplied by the actual volume within that range and then subtracted from the monthly BVR amount.

#### **1.2.5 MONTHLY RECONCILIATION OF BVMP PAYMENTS FOR PHASE MONTHS SUBSEQUENT TO MONTH ONE (1)**

The monthly TMTCC payment reconciliation procedures described in this Section are structured to:

- A. Minimize cash flow pressures on the Contractor by dampening month-to-month variation in payment amounts; and
- B. Prevent major end-of-phase TMTCC payment adjustments.

These goals are achieved by calculating each monthly reconciliation amount as the difference between the current month's cumulative (phase-to-date) TMTCC volume and the previous month's cumulative TMTCC volume.

The final monthly reconciliation amount for the phase shall be calculated as described above. Prior to invoicing the CDHS for the final month, however, the Contractor shall review all prior invoices and payments to assure that they have been properly calculated, invoiced, and paid. If additional adjustments (beyond the normal plus and minus range adjustments described above) are necessary, these should be applied to the final invoice. The CDHS will review the Contractor's final invoice, and, if it is able to verify all adjustments applied (if any), pay the amount invoiced. If the CDHS is unable to verify one or more final adjustments applied by the Contractor, it shall pay the amount it is able to verify as accurate, but will provide the Contractor with the opportunity to further document and justify its adjustment(s). If the CDHS and the Contractor are unable to agree on a final phase reconciliation amount, and the CDHS imposes an amount the Contractor finds unsatisfactory, the Contractor may dispute the CDHS' decision, in keeping with Exhibit E, Additional Provisions, Dispute Resolution Process.

### **1.2.6 RENEGOTIATION OF BVMP**

If actual TMTCC volumes for any completed phase exceed the plus range maximum volumes or fall below the minus range minimum volumes found in Attachments 16-2 through 16-4, unit prices for the out-of-range TMTCC units shall be negotiated through the Change Order process, identified in Exhibit E, Additional Provisions. The Contractor and the Contracting Officer shall negotiate in good faith to reach agreements on Change Orders.

While unit pricing negotiations are underway, the Contractor shall invoice the CDHS using the following interim rates:

- A. TMTCC units above the plus range maximum volume shall be paid at the unit price for the highest available plus range.
- B. TMTCC units below the minus range minimum volume shall be paid at the unit price for the lowest available minus range.

Once negotiations have concluded, and a new unit price is agreed upon, payment (if any) shall be based upon the difference between the amount calculated from the negotiated unit price, and the amount calculated from the interim unit price. If the negotiated unit price is higher than the interim unit price, the CDHS shall pay the Contractor the difference between the two amounts. If the amount calculated from the interim unit price is higher than the amount calculated from the negotiated unit price, the Contractor shall reimburse the CDHS for the difference between the two amounts.

### **1.3 PAYMENT FOR ENROLLMENT/DISENROLLMENT TRANSACTIONS**

The CDHS shall pay for enrollment/disenrollment transactions based on the actual number of transactions accepted by the Medi-Cal Eligibility Data System (MEDS) for the payment period. Any transaction referred to as "billable" or "payable" in this Exhibit is only billable and payable if it has been accepted by MEDS.

The following conditions apply:

- A. Auto-assignment (default assignment) transactions are not payable or billable.
- B. Only one transaction is billable or payable when a beneficiary is disenrolled from one plan and enrolled into a different plan within a 24-hour period.
- C. With the exception of the transaction types described in 1.3 E below, only one disenrollment and one enrollment transaction per beneficiary per month shall be payable. A month shall be considered from MEDS cut-off date to MEDS cut-off date.
- D. All disenrollment transactions generated by approved Medical Exemption Requests, Expedited Disenrollment Requests, or other CDHS-approved managed care exception to plan enrollment requests shall be payable. Disenrollment transactions in this category shall be payable, regardless of the number of other transactions that have occurred for the affected beneficiary during the current month.
- E. One or more transactions submitted to and accepted by MEDS which, together, do not change the affected beneficiary's enrollment status, i.e. a disenrollment followed by an enrollment back into the same health plan (to record a change in another data

field, for example) or a Choice Form which requests FFS for a voluntary beneficiary already in FFS status, does not constitute a payable transaction.

- F. Transactions found to be erroneous due to Contractor data entry error or other errors or omissions shall not be payable. If such errors are discovered after they have been included in an invoice to the CDHS, or after the CDHS has paid for them, the Contractor shall issue a credit to the CDHS for these transactions in the next transactions invoice. Transactions for the purpose of correcting data entry errors or other Contractor errors or omissions are also not payable.
- G. Only those transactions which are performed due to the Contractor having received a signed Choice Form, Medical Exemption Request, Expedited Disenrollment Request, or other CDHS-approved managed care plan exception to plan enrollment request will be billable and payable. Auto-assigned (default) transactions are not billable or payable.

The price paid will be the Contractor's price bid, Attachment 16-2, subject to the criteria discussed below. The price bid shall include all applicable Contractor costs associated with the Customer Service Portal, Provider Information Network, Enrollments/Disenrollments, Reports, Disaster Prevention and Recovery/Business Continuity, and Health Plan Enrollment Process, as listed in Exhibit A, Attachment II, Sections 1.7, 1.8, 3.0, 6.0, 9.0 and 10.0, respectively, including general and administrative costs and all other overhead costs and fees. This price bid shall not include any costs that will be paid under Section 1.14, Cost Reimbursement below.

**1.3.1 PRECEDENT-TO-PAYMENT CATEGORIES FOR ENROLLMENT/ DISENROLLMENT TRANSACTIONS**

The total monthly payment amount for enrollment/disenrollment transactions shall be allocated to the precedent-to-payment categories listed below. In order to be paid the percentages shown, the Contractor must have substantially met, in the sole judgment of the Contracting Officer, all associated precedent-to-payment conditions. The specific conditions which must be met are described Section 1.3.2 below. This section also specifies the circumstances under which a payment that has been denied may later be paid.

A. GENERAL HCO OPERATIONS	35%
B. ENROLLMENTS/DISENROLLMENTS	30%
C. HEALTH PLAN ENROLLMENT PROCESS	15%**
D. REPORTS	10%
E. DISASTER PREVENTION AND RECOVERY	5%
F. CUSTOMER SERVICE PORTAL/PROVIDER INFORMATION NETWORK	5%

**\*\*If** the successful bidder did not propose an automated system in their Narrative Proposal, the Health Plan Enrollment Process category above will not be a precedent-to payment category. Instead, the Enrollment/Disenrollment precedent-to-payment category will be increased from 30% to 35%, Disaster Prevention and Recovery will be increased from 5% to 10% and Customer Service Portal/Provider Information Network will be increased from 5% to 10%. This also applies to Section 1.3.2 below.

### **1.3.2 PRECEDENT-TO-PAYMENT CONDITIONS FOR ENROLLMENT/ DISENROLLMENT TRANSACTIONS**

Payments will be made in six (6) separate amounts, one for each precedent-to-payment category described above. Payments will be made in arrears, in one lump sum for each category in which all precedent-to-payment conditions have been met and approved by the CDHS. When invoicing the CDHS, the Contractor shall clearly indicate whether all applicable requirements in each payment category have been met, and the amount due for each category. For each category in which one or more requirements have not been met, the Contractor shall indicate that no payment is due, and shall include a plan for achieving full compliance by the following payment period.

Failure to meet any of the contractual requirements for these six (6) precedent-to-payment categories for a given month will constitute noncompliance for that month and the Contractor shall not be entitled to payment for that month. Compliance with a subsequent month's contractual requirements will entitle the Contractor to payment for that month and any previous month for which payment was not received. If contractual requirements are not achieved within one year, the CDHS obligation to pay the invoice(s) is excused. Disputes over denial of payment are addressed in Exhibit E, Additional Provisions, Dispute Resolution Process.

These six (6) areas are precedent-to-payment because compliance failures in any one of them could result in significant negative impacts to the CDHS, the HCO Program, Medi-Cal managed care health plans and/or Medi-Cal beneficiaries. Delays or errors in processing beneficiary Choice Forms, disenrollment forms or exception to plan enrollment request forms could lead to interruptions in the care that beneficiaries are receiving, and erroneous capitation payments to health plans. Because it can lead to adverse health outcomes, increased program costs, and even death, the interruption of care is a particularly serious impact. If the federal Centers for Medicare and Medicaid Services (CMS) determines that enrollment/disenrollment transaction errors have significantly compromised the CDHS compliance with federal program requirements, federal financial participation in Medi-Cal could be reduced or eliminated.

If the Contractor fails to meet one or more of the requirements in a precedent-to-payment category, the CDHS will deny payment for that category, unless the Contracting Officer finds that substantial compliance was achieved despite that failure. If the Contracting Officer approves payment despite the Contractor's failure to meet one or more applicable precedent-to-payment requirements, that approval shall not constitute a waiver of any right or remedy provided under this Contract or under the laws of the State of California to seek subsequent remedies, such as, but not limited to, compensatory damages, liquidated damages, or equitable relief for the breaches of performance by the Contractor.

The precedent-to-payment categories for Enrollment/ Disenrollment Transactions are identified below:

**A. GENERAL HCO OPERATIONS 35%**

The Contracting Officer will not make payment for this category until the Monthly Progress Report, as defined in Exhibit A, Attachment II, Section 6.5.8, Monthly Progress Report, has been submitted to the CDHS.

**B. ENROLLMENTS/DISENROLLMENTS 30%**

The Contracting Officer will not make payment for this category until all contractual requirements for Exhibit A, Attachment II, Section 3.0, Enrollments/Disenrollments, are met and approved by the CDHS.

**C. HEALTH PLAN ENROLLMENT PROCESS 15%\*\***

The Contracting Officer will not make payment for this category until all contractual requirements for Exhibit A, Attachment II, Section 10.0, Health Plan Enrollment Process, are met and approved by the CDHS.

**D. REPORTS 10%**

The Contracting Officer will not make payment for this category until all contractual requirements and deliverables for Exhibit A, Attachment II, Section 6.0, Reports, are met and approved by the CDHS, with the exception of the submission of the Monthly Progress Report as identified in Section 6.5.8.

**E. DISASTER PREVENTION AND RECOVERY 5%**

The Contracting Officer will not make payment for this category until all contractual requirements and deliverables for Exhibit A, Attachment II, Section 9.0, Disaster Prevention and Recovery/Business Continuity, are met and approved by the CDHS.

**F. CUSTOMER SERVICE PORTAL/PROVIDER INFORMATION NETWORK 5%**

The Contracting Officer will not make payment for this category until all contractual requirements and deliverables for Exhibit A, Attachment II, Section 1.7 Customer Service Portal and Section 1.8 Provider Information Network, are met and approved by the CDHS.

**1.4 INCENTIVE TO LOWER THE DEFAULT RATE**

In the ongoing commitment to providing the best cost-effective health care options to Medi-Cal beneficiaries, the CDHS will provide an incentive payment when the Contractor has reduced the auto-assignment (default) rate level to the percentages listed in the chart below. While the activities required in the Operations portion of the Contract are intended to reduce the default rate below today's default percentage rate, the CDHS hopes to further lower the rate to a single digit percentage, using innovative techniques that the Contractor will devise.

The CDHS hopes to lower the default rate to at least ten percent (10%) in each month of Operations, using the Contract-required Operations activities. When the Contractor is able to lower the default rate below ten percent (10%), the CDHS will pay the Contractor an additional amount for each month that the rate falls below ten percent (10%), based upon the specific default rate achieved each month of Operations. The default incentive amount paid will be in addition to the amount due for the Enrollment/Disenrollment Transaction invoice.

The additional percentage amount will be calculated times the amount of reimbursement the Contractor is to receive for the Enrollment/Disenrollment Transactions invoice, less any precedent-to-payment withholds for the month. The additional incentive amount withheld for not meeting precedent-to-payment requirements in a given month is not reimbursable when precedent-to-payment requirements are met in ensuing months.

The payment will be made as follows:

Default percent rate/Month	Additional percent reimbursement/Month
< 10% but > 7%	5%
< or = 7% but > 5%	10%
< or = 5% but > 3%	15%
< or = 3% > 0%	20%
= 0%	25%

The CDHS retains the authority to and will work with the Contractor in determining the method used to derive the default rate.

## **1.5 PAYMENT FOR HCO INFORMING PACKET MAILINGS**

The CDHS shall pay for HCO Informing Packet Mailings based on actual packet mailings to beneficiaries and/or others as directed by the CDHS.

The price paid will be the Contractor's price bid, Attachment 16-3, subject to the criteria discussed below. The price bid shall include all applicable costs associated with Informing Materials, Quality Management Program, Quality Management Program – Pass-Fail Thresholds, Problem Correction Process, Records Retention and Retrieval, and Security and Confidentiality, as listed in Exhibit A, Attachment II, Sections 2.0 (with the exception of 2.9), 4.0 (with the exception of 4.4.C.3), 4.4.C.3, 5.0, 7.0 and 8.0, respectively, including general and administrative costs and all other overhead costs and fees. This price bid shall not include any costs that will be paid under Section 1.14, Cost Reimbursement below.

### **1.5.1 PRECEDENT-TO-PAYMENT CATEGORIES FOR HCO INFORMING PACKET MAILINGS**

The total monthly payment amount for HCO Informing Packet Mailings shall be allocated to the precedent-to-payment categories listed below. In order to be paid the

percentages shown, the Contractor must have substantially met, in the sole judgment of the Contracting Officer, all associated precedent-to-payment conditions. The specific conditions which must be met are described Section 1.5.2 below. This section also specifies the circumstances under which a payment that has been denied may later be paid.

A. GENERAL HCO OPERATIONS	35%
B. INFORMING MATERIALS	30%
C. QUALITY MANAGEMENT PROGRAM	10%
D. QUALITY MANAGEMENT PROGRAM – PASS-FAIL THRESHOLDS	10%
E. PROBLEM CORRECTION PROCESS	5%
F. RECORDS RETENTION AND RETRIEVAL	5%
G. SECURITY AND CONFIDENTIALITY	5%

**1.5.2 PRECEDENT-TO- PAYMENT CONDITIONS FOR HCO INFORMING PACKET MAILINGS**

Payments will be made in seven (7) separate amounts, one for each precedent-to-payment category described in this section. Payments will be made in arrears, in one lump sum for each category in which all precedent-to-payment conditions have been met and approved by the CDHS. When invoicing the CDHS, the Contractor shall clearly indicate whether all applicable requirements in each payment category have been met, and the amount due for each category. For each category in which one or more requirements have not been met, the Contractor shall indicate that no payment is due, and shall include a plan for achieving full compliance by the following payment period.

Failure to meet any of the contractual requirements for these seven (7) precedent-to-payment categories for a given month will constitute noncompliance for that month and the Contractor shall not be entitled to payment for that month. Compliance with a subsequent month's contractual requirements will entitle the Contractor to payment for that month and any previous month for which payment was not received. If contractual requirements are not achieved within one year, the CDHS obligation to pay the invoice(s) is excused. Disputes over denial of payment are addressed in Exhibit E, Additional Provisions, Dispute Resolution Process.

These seven (7) areas are precedent-to-payment because compliance failures in any one of them could result in significant negative impacts to the CDHS, the HCO Program, Medi-Cal managed care health plans and/or Medi-Cal beneficiaries. Delays or errors in informing materials mailings could lead to interruptions in the care beneficiaries are receiving. Because it can lead to adverse health outcomes, increased program costs, and even death, the interruption of care is a particularly serious impact. If the CMS determines that informing materials mailing errors have significantly compromised the CDHS compliance with federal program requirements, federal financial participation in Medi-Cal could be reduced or eliminated.

If the Contractor fails to meet one or more of the requirements in a precedent-to-payment category, the CDHS will deny payment for that category, unless the Contracting Officer finds that substantial compliance was achieved despite that failure. If the Contracting Officer approves payment despite the Contractor's failure to meet one or more applicable precedent-to-payment requirements, that approval shall not constitute a waiver of any right or remedy provided under this Contract or under the laws of the State of California to seek subsequent remedies, such as, but not limited to, compensatory damages, liquidated damages, or equitable relief for the breaches of performance by the Contractor.

The precedent-to-payment categories for HCO Informing Packet mailings are identified below:

**A. GENERAL HCO OPERATIONS 35%**

The Contracting Officer will not make payment for this category until the Monthly Progress Report, as defined in Exhibit A, Attachment II, Section 6.5.8, Monthly Progress Report, has been submitted to the CDHS.

**B. INFORMING MATERIALS 30%**

The Contracting Officer will not make payment for this category until all contractual requirements and deliverables for Exhibit A, Attachment II, Section 2.0 (with the exception of 2.9), Informing Materials, are met and approved by the CDHS.

**C. QUALITY MANAGEMENT PROGRAM 10%**

The Contracting Officer will not make payment for this category until all contractual requirements and deliverables for Exhibit A, Attachment II, Section 4.0 (with the exception of 4.4.3), Quality Management Program, are met and approved by the CDHS.

**D. QUALITY MANAGEMENT PROGRAM – PASS-FAIL THRESHOLDS 10%**

The Contracting Officer will not be obligated to make payment for this category unless every quality management test performed, consistent with the requirements specified in Exhibit A, Attachment II, Section 4.4.C.3, Quality Management Program, results in a score meeting or exceeding the applicable pass-fail threshold as provided by the Contractor in the Quality Assurance Plan.

**E. PROBLEM CORRECTION PROCESS 5%**

The Contracting Officer will not make payment for this category until all contractual requirements and deliverables for Exhibit A, Attachment II, Section 5.0, Problem Correction Process, are met and approved by the CDHS.

**F. RECORDS RETENTION AND RETRIEVAL 5%**



The Contracting Officer will not make payment for this category until all contractual requirements and deliverables for Exhibit A, Attachment II, Section 7.0, Records Retention and Retrieval, are met and approved by the CDHS.

**G. SECURITY AND CONFIDENTIALITY**

5%

The Contracting Officer will not make payment for this category until all contractual requirements and deliverables for Exhibit A, Attachment II, Section 8.0, Security and Confidentiality, are met and approved by the CDHS.

**1.6 PAYMENT FOR TELEPHONE CALL CENTER**

The CDHS will pay the Contractor for the Telephone Call Center's (TCC) work assisting beneficiaries and other persons seeking assistance based on the actual number of enrollment/disenrollment transactions accepted by MEDS for the payment period, with the exception of auto-assignment (default assignment) transactions. Any transaction referred to as "billable" or "payable" in this Exhibit is only billable and payable if it has been accepted by MEDS. The conditions identified in Section 1.3 above, also apply to this Section.

The price paid will be the Contractor's price bid, Attachment 16-4, subject to the criteria discussed below. The price bid will include all applicable Contractor costs associated with the TCC and Research, as described in Exhibit A, Attachment II, Sections 1.4 and 1.6, respectively, including general and administrative costs and all other overhead costs and fees. This price bid shall not include any costs that will be paid under Section 1.14, Cost Reimbursement below.

**1.6.1 PRECEDENT-TO-PAYMENT CATEGORIES FOR TELEPHONE CALL CENTER**

The total monthly payment amount for the TCC shall be allocated to the precedent-to-payment categories listed below. In order to be paid the percentages shown, the Contractor must have substantially met, in the sole judgment of the Contracting Officer, all associated precedent-to-payment conditions. The specific conditions which must be met are described in Section 1.6.2 below. This section also specifies the circumstances under which a payment that has been denied may later be paid.

A. GENERAL HCO OPERATIONS	35%
B. TELEPHONE CALL CENTER	45%
C. RESEARCH	20%

**1.6.2 PRECEDENT-TO-PAYMENT CONDITIONS FOR TELEPHONE CALL CENTER**

Payments will be made in three (3) separate amounts, one for each precedent-to-

payment category described in this section. Payments will be made in arrears, in one lump sum for each category in which all precedent-to-payment conditions have been met and approved by the CDHS. When invoicing the CDHS, the Contractor shall clearly indicate whether all applicable requirements have been met, and the amount due for the category. If one or more requirements have not been met, the Contractor shall indicate that no payment is due, and shall include a plan for achieving full compliance.

Failure to meet any of the contractual requirements for these three (3) precedent-to-payment categories for a given month will constitute noncompliance for that month and the Contractor shall not be entitled to payment for that month. Compliance with a subsequent month's contractual requirements will entitle the Contractor to payment for that month and any previous month for which payment was not received. If contractual requirements are not achieved within one year, the CDHS obligation to pay the invoice(s) is excused. Disputes over denial of payment are addressed in Exhibit E, Additional Provisions, Dispute Resolution Process.

Should the Contractor fail to meet any of the requirements in a precedent-to-payment category, the CDHS will deny payment for that category unless the Contracting Officer finds that substantial compliance was achieved despite that failure. Should the Contracting Officer approve payment despite the Contractor's failure to meet one or more applicable precedent-to-payment requirements, that approval shall not constitute a waiver of any right or remedy provided under this Contract or under the laws of the State of California to seek subsequent remedies, such as, but not limited to, compensatory damages, liquidated damages, or equitable relief for the breaches of performance by the Contractor.

The precedent-to-payment categories for the Telephone Call Center are:

**A. GENERAL HCO OPERATIONS 35%**

The Contracting Officer will not make payment for this category until the Monthly Progress Report, as defined in Exhibit A, Attachment II, Section 6.5.8, Monthly Progress Report, has been submitted to the CDHS.

**B. TELEPHONE CALL CENTER 45%**

The Contracting Officer will not make payment for this category until all contractual requirements and deliverables for Exhibit A, Attachment II, Section 1.4, Telephone Call Center, are met and approved by the CDHS.

**C. RESEARCH 20%**

The Contracting Officer will not make payment for this category until all contractual requirements for Exhibit A, Attachment II, Section 1.6, Research, are met and approved by the CDHS.

**1.7 PAYMENT FOR MEDI-CAL PUBLICATIONS MANAGEMENT SERVICES**

The CDHS will pay the Contractor one (1) fixed price all-inclusive rate per month for the management of the development, reproduction, and distribution of Medi-Cal publications.

The price paid will be the Contractor's price bid, Attachment 16-5. The fixed price shall include all applicable Contractor costs associated with the Medi-Cal Publications Management Services as described in Exhibit A, Attachment II, Section 2.9, Medi-Cal Publication, including general and administrative costs and all other overhead costs and fees. This price bid shall not include any costs that will be paid under Section 1.14, Cost Reimbursement below.

**1.7.1 PRECEDENT-TO-PAYMENT CATEGORY FOR MEDI-CAL PUBLICATIONS MANAGEMENT SERVICES**

The total monthly payment amount for Medi-Cal Publications Management Services shall be allocated to the precedent-to-payment category listed below. In order to be paid the percentage shown, the Contractor must have substantially met, in the sole judgment of the Contracting Officer, all associated precedent-to-payment conditions. The specific conditions which must be met are described in Section 1.7.2 below. This section also specifies the circumstances under which a payment that has been denied may later be paid.

MEDI-CAL PUBLICATIONS MANAGEMENT SERVICES

100%

**1.7.2 PRECEDENT-TO-PAYMENT CONDITIONS FOR MEDI-CAL PUBLICATIONS MANAGEMENT SERVICES**

Payment for Medi-Cal Publications Management Services will be made in arrears, in one lump sum provided that the contractual requirements applicable to the Medi-Cal Publications, identified in Exhibit A, Attachment II, Section 2.9, Medi-Cal Publications have been met and approved by the CDHS. When invoicing the CDHS, the Contractor shall clearly indicate whether all applicable requirements have been met, and the amount due for the category. If one or more requirements have not been met, the Contractor shall indicate that no payment is due, and shall include a plan for achieving full compliance.

Failure to meet any of the contractual requirements for the precedent-to-payment category for a given month will constitute noncompliance for that month and the Contractor shall not be entitled to payment for that month. Compliance with a subsequent month's contractual requirements will entitle the Contractor to payment for that month and any previous month for which payment was not received. If contractual requirements are not achieved within one year, the CDHS obligation to pay the invoice(s) is excused. Disputes over denial of payment are addressed in Exhibit E, Additional Provisions, Dispute Resolution Process.

Should the Contractor fail to meet any of the requirements in a precedent-to-payment category, the CDHS will deny payment for that category unless the Contracting Officer finds that substantial compliance was achieved despite that failure. Should the Contracting Officer approve payment despite the Contractor's failure to meet one or more applicable precedent-to-payment requirements, that approval shall not constitute a

waiver of any right or remedy provided under this Contract or under the laws of the State of California to seek subsequent remedies, such as, but not limited to, compensatory damages, liquidated damages, or equitable relief for the breaches of performance by the Contractor.

The precedent-to-payment category for Medi-Cal Publications Management Service is:

MEDI-CAL PUBLICATIONS MANAGEMENT SERVICES	100%
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The Contracting Officer will not make payment for this category until all contractual requirements and deliverables for Exhibit A, Attachment II, Section 2.9 Medi-Cal Publications are met and approved by the CDHS.

## **1.8 OPERATIONS PAYMENT REPORTS**

### **1.8.1 TMTCC MONTHLY RECONCILIATION PAYMENT REPORTS**

The Contractor shall develop detailed monthly payment reports to track all monthly payments in all TMTCC categories. These reports shall use a standardized tabular format to show:

- A. The actual TMTCC units generated during the payment period;
- B. The resulting cumulative TMTCC units generated in the current phase;
- C. The applicable cumulative base range maximum and minimum volumes;
- D. The number of cumulative TMTCC units falling into the cumulative base range;
- E. The applicable cumulative base range payment amount;
- F. The number of cumulative TMTCC units falling into each plus range;
- G. The unit prices for each plus range;
- H. The price bids for each plus and minus range;
- I. The total cumulative dollar amount in each plus range (unit price multiplied by number of units);
- J. The number of cumulative TMTCC units falling into each minus range;
- K. The unit prices for each minus range;
- L. The total cumulative dollar amount in each minus range (unit price multiplied by number of units);
- M. The adjusted cumulative TMTCC dollar amount (base range amount adjusted for all plus and minus range amounts); and
- N. The invoiced monthly amount, shown as the difference between the current cumulative monthly amount and the previous cumulative monthly amount (both monthly cumulative amounts shall be shown).

All information shall be provided for the current month and all previous months in the current phase.

## **1.8.2 TMTCC ANNUAL RECONCILIATION PAYMENT REPORT**

The TMTCC Annual Reconciliation Payment Report shall consist of the final monthly report for the phase, expanded to show any additional reconciliation amounts (above and beyond the standard plus and minus range amounts). These additional amounts shall appear in one or more of the reconciliation columns. The amounts shown in the cells in these columns shall be footnoted, and the footnotes shall contain concise explanations of the additional reconciliation amounts shown. Footnotes shall also reference any applicable documentation supporting the amounts shown.

Because the TMTCC Annual Reconciliation Payment Report consists of a fully reconciled version of the final monthly report, it shall contain complete reconciliation data for every month in the phase, as specified in the previous section ("TMTCC Monthly Reconciliation Payment Reports").

A TMTCC payment report (monthly or annually, as applicable) shall be submitted with each monthly invoice.

## **1.9 OPERATIONS INVOICES**

### **A. ENROLLMENT/DISENROLLMENT TRANSACTIONS**

The Contractor shall invoice the CDHS separately for the six (6) precedent-to-payment categories identified in Section 1.3.1 above. Each invoice shall include supporting documentation that demonstrates that the contractual requirements for each category have been met.

### **B. HCO INFORMING PACKET MAILINGS**

The Contractor shall invoice the CDHS separately for the seven (7) precedent-to-payment categories identified in Section 1.5.1 above. Each invoice shall include supporting documentation that demonstrates that the contractual requirements for each category have been met.

### **C. TELEPHONE CALL CENTER**

The Contractor shall invoice the CDHS separately for the three (3) precedent-to-payment categories identified in Section 1.6.1 above. Each invoice shall include supporting documentation that demonstrates that the contractual requirements for that category have been met.

### **D. MEDI-CAL PUBLICATIONS MANAGEMENT SERVICES**

The Contractor shall invoice the CDHS separately for the one (1) precedent-to-payment category identified in Section 1.7.1 above and for the one (1) cost reimbursement category identified in Section 1.14, Cost Reimbursement below. The cost reimbursement section of this invoice shall contain one subsection for each cost reimbursement category described in Section 1.14.1.18 below. Each subsection shall separately itemize all charges in that category. The overall grand total shall be reported in the main body of the invoice.

All invoices must be submitted only after completion of the required work for the month. Invoices shall be received by the CDHS on or before the 10<sup>th</sup> business day of the month.

The invoicing methods listed above will allow the Contractor and the CDHS time to verify that monthly reports have been received and contractual requirements have been met prior to authorizing payment.

Disputes over denial of any payment are addressed in Exhibit E, Additional Provisions, Dispute Resolution Process.

#### **1.9.1 OTHER SUPPORTING DOCUMENTS**

Invoices shall include a certification, signed by the Contractor's Chief Financial Officer, or equivalent position, stating that all contractual requirements for the invoice period have been met. In the event that contractual requirements have not been met, the Contractor shall document its failure to meet requirements, and provide an explanation and a plan to achieve performance, which shall be attached to the applicable invoice(s).

The Contractor's certification shall be submitted to the CDHS with each respective invoice, along with supporting documentation that demonstrates that all contractual Precedent-to-Payment requirements have been met. Said documentation shall include reports and all other substantiation the CDHS requires to verify that the invoices are payable. The reports that will be required to substantiate the invoices will be identified during Takeover. Approval of the respective invoices by the Contracting Officer will be contingent upon the receipt of the aforementioned certifications and substantiation.

#### **1.10 PAYMENT FOR HOURLY REIMBURSEMENT – ENROLLMENT SERVICE REPRESENTATIVES**

The maintenance and operation of Presentation Sites in all HCO counties is expected to be a significant cost center under this Contract. For that reason, the ESR payment provisions are designed to provide the CDHS with a greater degree of control over the Contractor's ESR staffing than is present in other operational areas. The ESR function is vital to controlling the auto-assignment (default assignment) rate and the CDHS intends to support that function to the extent that funds are available; however, the CDHS may revise, with the Contractor's assistance, the number of ESR FTEs by county.

The activities performed by the ESRs are described in Exhibit A, Attachment II, Section 1.5, Education and Outreach. The ESR staffing shall range between seventy (70) and one-hundred thirty (130) billable FTEs per month. Pursuant to Exhibit A, Attachment II, Section 1.5.2.1, Presentation Site Staffing Levels, the number of FTEs may vary throughout the duration of the Contract.

The CDHS shall pay for Education and Outreach based on actual ESR FTEs per month. The price paid will be the Contractor's fixed price hourly rate. The fixed price hourly rate shall include all applicable Contractor costs associated with Education and Outreach as listed in Exhibit A, Attachment II, Section 1.5, including general and administrative costs and all other overhead costs and fees. This fixed price hourly rate shall not include any costs that will be paid under Section 1.14, Cost Reimbursement.

Under no circumstances shall the Contractor be paid for vacant positions, leaves of absence (including sick leave, holidays, or vacation), administrative non-production hours such as training and staff meetings, or for work performed on activities not specifically authorized in the Contract, except as authorized by the Contracting Officer. Further, the Contractor shall utilize, and make available to the CDHS an electronic file containing each ESR's work hours on each assigned activity. This file shall be updated no less frequently than daily, and shall accurately reflect work time for all hourly-reimbursed positions. "Work time" shall be broken out by billable and non-billable hours, regular hours, leave of absence hours, and overtime hours. This file shall be capable of generating both standard production reports, and custom ad hoc reports, and shall have ad hoc query capability. All reporting and query functionality shall be fully available to the CDHS, and all data records and fields in the file shall be available to the reporting and query functions. The CDHS shall also be able to extract data from this file in a variety of formats and save it to a local CDHS workstation or file server for import into other applications.

ESR hourly reimbursement invoices shall contain tables showing the available hours and actual hours worked for each ESR. The same information shall be presented in the same format for each ESR supervisor. Although supervisor hours are not separately payable, this information will be used to ensure that the required number of supervisors were available during the month.

**1.10.1 PRECEDENT-TO-PAYMENT CATEGORIES FOR HOURLY REIMBURSEMENT – ENROLLMENT SERVICE REPRESENTATIVES**

The total monthly payment amount for ESR billable hours shall be allocated to the precedent-to-payment categories listed below. In order to be paid the percentage shown, the Contractor must have substantially met, in the sole judgment of the Contracting Officer, all associated precedent-to-payment conditions. The specific conditions which must be met are described in Section 1.10.2 below. This section also specifies the circumstances under which a payment that has been denied may later be paid.

A. GENERAL HCO OPERATIONS	35%
B. PRESENTATION SITES	30%
C. HCO PRESENTATIONS	25%
D. OUTREACH AND ENROLLMENT ASSISTANCE	10%

**1.10.2 PRECEDENT-TO-PAYMENT CONDITIONS FOR HOURLY REIMBURSEMENT – ENROLLMENT SERVICES REPRESENTATIVES**

Payments will be made in four (4) separate amounts, one for each precedent-to-payment category described in this section. Payment for actual monthly ESR billable hours will be made in arrears, in one lump sum for each category in which all precedent-to-payment conditions have been met and approved by the CDHS. When invoicing the CDHS, the Contractor shall clearly indicate whether all applicable requirements in each payment category have been met, and the amount due for each category. For each

category in which one or more requirements have not been met, the Contractor shall indicate that no payment is due, and shall include a plan for achieving full compliance.

Failure to meet any of the contractual requirements for these four (4) precedent-to-payment categories for a given month will constitute noncompliance for that month and the Contractor shall not be entitled to payment for that month. Compliance with a subsequent month's contractual requirements will entitle the Contractor to payment for that month and any previous month for which payment was not received. If contractual requirements are not achieved within one year, the CDHS obligation to pay the invoice(s) is excused. Disputes over denial of payment are addressed in Exhibit E, Additional Provisions, Dispute Resolution Process.

These four (4) areas are precedent-to-payment because compliance failures in any one of them could result in significant negative impacts to the CDHS, the HCO Program, Medi-Cal managed care health plans and/or Medi-Cal beneficiaries. Delays or errors in informing materials mailings could lead to interruptions in the care beneficiaries are receiving. Because it can lead to adverse health outcomes, increased program costs, and even death, the interruption of care is a particularly serious impact. Should the CMS determine that informing materials mailing errors have significantly compromised the CDHS compliance with federal program requirements, federal financial participation in Medi-Cal could be reduced or eliminated.

Should the Contractor fail to meet one or more of the requirements in a precedent-to-payment category, the CDHS will deny payment for that category unless the Contracting Officer finds that substantial compliance was achieved despite that failure. Should the Contracting Officer approve payment despite the Contractor's failure to meet one or more applicable precedent-to-payment requirements, that approval shall not constitute a waiver of any right or remedy provided under this Contract or under the laws of the State of California to seek subsequent remedies, such as, but not limited to, compensatory damages, liquidated damages, or equitable relief for the breaches of performance by the Contractor.

The precedent-to-payment categories for Hourly Reimbursement – Enrollment Services Representatives are:

**A. GENERAL HCO OPERATIONS 35%**

The Contracting Officer will not make payment for this category until the Monthly Progress Report, as defined in Exhibit A, Attachment II, Section 6.5.8, Monthly Progress Report, has been submitted to the CDHS.

**B. PRESENTATION SITES 30%**

The Contracting Officer will not make payment for this category until all contractual requirements and deliverables for Exhibit A, Attachment II, Sections 1.5.1 through 1.5.3, Presentation Sites, are met and approved by the CDHS.

**C. HCO PRESENTATIONS 25%**



The Contracting Officer will not make payment for this category until all contractual requirements and deliverables for Exhibit A, Attachment II, Sections 1.5.4 through 1.5.7.3, HCO Presentations, are met and approved by the CDHS.

**D. OUTREACH AND ENROLLMENT ASSISTANCE** 10%

The Contracting Officer will not make payment for this category until all contractual requirements and deliverables for Exhibit A, Attachment II, Section 1.5.8, Outreach and Enrollment Assistance Sessions, are met and approved by the CDHS.

**1.10.3 HOURLY REIMBURSEMENT INVOICES**

The Contractor shall invoice the CDHS separately for the four (4) precedent-to-payment categories identified in Section 1.10.1 above. Each invoice shall include supporting documentation that demonstrates that the contractual requirements for that category have been met.

All invoices must be submitted only after completion of the required work for the month. Invoices shall be received by the CDHS on or before the 10<sup>th</sup> business day of the month.

The invoicing methods listed above will allow the Contractor and the CDHS time to verify that monthly reports have been received and contractual requirements have been met prior to authorizing payment.

Disputes over denial of any payment are addressed in Exhibit E, Additional Provisions, Dispute Resolution Process.

**1.11 EXTENDED OPERATIONS**

TMTCC volumes and rates for the phase immediately preceding any Extended Operations period (as defined in Exhibit E, Additional Provisions) pursuant to "Term of the Contract" will be the basis of payment for any such period of Extended Operations. If the option to extend the Contract (for an Extended Operations period) is exercised for a period of less than a full year, the BVRs and all volume levels specified in the Contractor's TMTCC fixed price bids (Attachments 16-2 through 16-4) will be adjusted in proportion to the number of months of the extension.

The adjustments will be accomplished by dividing the BVR and volume levels (for the preceding phase) by twelve (12) (respectively), and then by multiplying the result by the number of months extended. This calculation will result in adjusted BVRs and volume levels.

For each month of Extended Operations, the Contractor will be paid one twelfth (1/12th) of the price for the base volume for the preceding twelve 12-month phase. Reconciliation will be undertaken at the end of the period of Extended Operations. Any reconciliation that is performed shall maintain the appropriate proportionality between the preceding 12-month period and the number of months in the Extended Operations period. During an Extended Operations period, the Contractor shall be paid at the TMTCC bid rates for the preceding phase, as adjusted for the volume range modifications, described above, except that the preceding phase rates shall be adjusted

to reflect changes in the California Consumer Price Index (CCPI) for the year immediately preceding commencement of the Extended Operations phase.

Hourly Reimbursement, during any period of Extended Operations, shall be continued at the same rate as the immediately preceding twelve (12)-month phase. Payment of any Hourly Reimbursement for Extended Operations shall be reimbursed at the bid rate for the preceding phase, except that the preceding phase rates shall be adjusted by any changes in the CCPI for the year immediately preceding commencement of the Extended Operations phase.

## **1.12 ADDITIONAL CONTRACTUAL SERVICES**

Additional Contractual Services (ACSs) are both CDHS-proposed and bidder-proposed services outside of, but related to, the scope of work set forth in Exhibit A, Attachment IV) and are designed to replace, augment, or substantially improve one or more operational areas (e.g., HCO informing materials production and mailing, customer services, transactions processing, forms processing, reporting, etc.), resulting in improved services to beneficiaries, increased operational efficiency, or both. When CDHS accepts an ACS, the ACS becomes part of the scope of work for the Contract. Payment for the Design, Development & Implementation (DD&I) portion of the seven (7) mandatory ACSs and the five (5) optional Contractor-proposed ACSs will be on a fixed price basis with the exception of those specific work items paid under Section 1.14, Cost Reimbursement below. If implementation of an ACS will affect ongoing operations costs, the dollar amounts of those costs, whether positive (an actual cost to the CDHS) or negative (a savings to the CDHS), shall be included in the ACS fixed price bid. DD&I, Operations, Cost Reimbursement and cost bid amounts shall be reported separately in the ACS proposal before being aggregated into a single ACS price.

All seven (7) mandatory ACS cost categories (DD&I, Operations, Cost Reimbursement), shall be paid and tracked separately.

### **A. Fixed Price ACS DD&I Payment**

Payments for a percentage of the total ACS DD&I fixed price bid will be made for each interim and final deliverable, contingent upon the CDHS' receipt, acceptance, and approval of each deliverable. Upon approval of the final DD&I deliverable, the CDHS will remit the balance of the full bid amount. Payment percentages will be as follows:

### **REVIEW OF HCO INFORMING MATERIALS**

Comprehensive Review and Evaluation	25%
Interim Progress Report	25%
Final Report of Findings and Recommendations	50%

### **PRO-ACTIVE HEALTH CARE CHOICES**

Updated Comprehensive Implementation Plan	25%
Implementation	25%
Post-Implementation Review and Revised Implementation	50%

**EXPEDITED HEALTH PLAN ENROLLMENT**

Updated Comprehensive Implementation Plan	25%
Implementation	25%
Post-Implementation Review and Revised Implementation	50%

**MEDI-CAL MANAGED CARE HEALTH PLAN PROVIDER DIRECTORIES**

Updated Comprehensive Implementation Plan	25%
Implementation	25%
Post-Implementation Review and Revised Implementation	50%

**INITIAL HEALTH SCREEN QUESTIONNAIRE**

Updated Comprehensive Implementation Plan	25%
Implementation	25%
Post-Implementation Review and Revised Implementation	50%

**VOLUNTARY BENEFICIARY TELEPHONE CALL CENTER CONTACTS**

Updated Comprehensive Implementation Plan	25%
Implementation	25%
Post-Implementation Review and Revised Implementation	50%

**B. ACS DD&I Invoice**

Upon the receipt, acceptance, and approval from the Contracting Officer of the required scheduled deliverables for each ACS DD&I payment category identified above, the Contractor shall submit a separate invoice to the CDHS. Payments for an ACS will not be made if deliverables that have not been approved by the CDHS within three years after the CED.

**1.12.1 CONTRACTOR - PROPOSED OPTIONAL ADDITIONAL CONTRACTUAL SERVICES**

Contractor-Proposed Optional Additional Contract Services (ACSs) are Contractor-proposed improvements to the processes and procedures through which the Contractor achieves compliance with the Exhibit A, Scope of Work requirements. To qualify as an optional ACS, a proposed improvement must describe innovations that exceed and complement Scope of Work requirements found in Exhibit A. If the CDHS accepts and approves any of the five (5) optional proposed ACSs, the price that the CDHS will pay for the approved optional proposed ACS(s) will be the Contractor's fixed price bid with the exception of those specific work items paid under Section 1.14, Cost Reimbursement below. If implementation of an optional ACS will affect ongoing operations costs, the dollar amounts of those costs, whether positive (an actual cost to the CDHS) or negative (a savings to the CDHS), shall be included in the optional ACS price bid. DD&I, Cost Reimbursement, and Operations cost bid amounts shall be reported separately in the optional ACS proposal before being aggregated into a single optional ACS price.

All five (5) optional ACS cost categories (DD&I, cost reimbursement, operations), shall be paid and tracked separately:

A. Fixed Price Contractor-Proposed, Optional ACS DD&I Payment

If an optional ACS is approved by the CDHS, a deliverable submission and payment schedule will be established by the Contracting Officer and will be included with the formal optional ACS approval package. A percentage of the total optional ACS DD&I cost will be paid upon the CDHS' receipt, acceptance, and approval of each required deliverable, and upon completion and approval of each optional ACS DD&I. The Contractor's optional ACS proposal shall include a projected submission schedule for DD&I deliverables.

B. Contractor-Proposed, Optional ACS DD&I Invoice

Upon the receipt, acceptance, and approval from the Contracting Officer of the required deliverables for each optional ACS DD&I, the Contractor shall submit a separate invoice to the CDHS. No payments will be made for optional ACS deliverables that have not been approved by the CDHS within three years after the CED.

C. Contractor-Proposed, Optional ACS Operations Payment

The Contractor shall propose an optional ACS Operations start date and bid an optional ACS Operations fixed price for each Contract year and each extension year in which the optional ACS would be in operation. If the CDHS determines that the optional ACS should be discontinued, the CDHS shall notify the Contractor at least thirty (30) calendar days prior to the termination date of the specific optional ACS.

D. Contractor-Proposed, Optional ACS Operations Invoice

The Contractor shall submit an invoice for each month of optional ACS Operation. If the optional ACS Operations do not coincide with the start of Operations under this Contract, the Contractor shall pro-rate the fixed price bid for each month of Operations from optional ACS implementation through the end of the contract Operations. The Contractor shall submit an invoice for the pro-rated amount for each month of successful performance during the Operations. Payment shall only be made upon successful performance of the optional ACS Operations.

### **1.13 CHANGE ORDERS and AMENDMENTS**

The Contractor shall identify all costs associated with Change Orders and Amendments on a Cost Proposal Form (Attachment 17). In the course of negotiating Change Orders and Amendments the Contractor and the Contracting Officer may agree that certain expenses can be paid through the cost reimbursement process. The CDHS will not pay any indirect expenses or fees related to the administration of these cost reimbursed items. The Contractor shall be paid in accordance with the negotiated pricing schedule.

All Change Order and Amendment price proposals shall reflect whether expenses include allocations for fringe benefits, corporate general and administrative costs and all other overhead costs and fees. Cost categories shall clearly identify these allocations. If the Contracting Officer approves the inclusion of allocation for fringe benefits, corporate general and administrative costs and all other overhead costs, the approved

percentages will be based on the applicable costs identified in the Contractor's audited financial statements.

#### **1.13.1 CHANGE ORDER and/or AMENDMENT INVOICE**

A. All Change Order and/or Amendment project expenses shall be invoiced monthly in one consolidated invoice with subtotals for each Change Order and/or Amendment project and a grand total for the entire invoice. The applicable Change Order and/or Amendment number shall be used to separately identify each project.

B. Conditions Precedent to Payment

The CDHS will determine the conditions precedent-to-payment upon development and implementation of each Change Order and/or Amendment.

#### **1.14 COST REIMBURSEMENT**

The CDHS will reimburse various costs, in arrears, incurred by the Contractor in fulfilling its requirements under this Contract. Such costs shall consist of direct costs that are payable through one of the cost reimbursement categories described below. The term "direct cost," as used in this section shall be narrowly construed, consisting of the actual unadjusted amounts invoiced by vendors and subcontractors. This section identifies the cost reimbursable categories that are not included in any of the Contractor's bid rates.

##### **1.14.1 COST REIMBURSEMENT CATEGORIES**

###### **1.14.1.1 POSTAGE, PARCEL SERVICES AND COMMON CARRIERS**

The CDHS will reimburse only the actual expenses paid for:

- A. Mailing or shipping utilized to mail HCO Program materials to beneficiaries, managed care plans, the federal government, the CDHS or other entities authorized by the Contracting Officer;
- B. Mailing or shipping completed Choice Forms from the Presentation Sites to the Contractor's main operating facility. The mailing or shipping of HCO Program materials to the Presentation Sites are not an allowable expense.
- C. Post office box and permit acquisition, maintenance and usage fees; and
- D. Bulk mail pre-sorting costs.

Any of the HCO Program materials that need to be mailed or shipped in an expedited manner will require the Contracting Officer's written authorization prior to incurring expenses.

Mailing or shipping HCO Informing Materials to the Presentation Sites is excluded from this section, as well as other direct or indirect costs are excluded. The only exception to this may be for costs associated with cost reduction proposals, if approved by the Contracting Officer, to reduce the cost of mailing or shipping HCO Program materials.

#### **1.14.1.2 PRINTING**

The CDHS will reimburse only the actual printing expenses paid for:

- A. CDHS - Printed Provider Directories;
- B. Choice Forms that are provided to managed care plans; and
- C. Miscellaneous printing, as directed by the Contracting Officer.

Excluded from cost reimbursed printing are any materials that are included in the HCO Informing Packet mailings that are reimbursed through the TMTCC fixed price bid. Other direct or indirect costs shall be excluded from cost-reimbursed printing expenses.

#### **1.14.1.3 MATERIALS MAINTENANCE AND DEVELOPMENT**

The Contractor shall be reimbursed for the direct costs paid for developing and revising HCO Program materials and for special mailings, such as letters, notification, post-cards, and letters, as directed by the CDHS. Other direct or indirect costs are excluded.

#### **1.14.1.4 SPECIAL MAILINGS**

The Contractor shall be reimbursed for the direct costs paid for special mailings. Special mailings include but are not limited to letters, notifications, post-cards, and fliers. The special mailings shall not include any materials that are included in the HCO Informing Packet Mailings that are reimbursed through the fixed price bid. Other direct or indirect costs are excluded.

#### **1.14.1.5 TRANSLATION SERVICES**

The Contractor shall be reimbursed for the direct costs paid for translating written HCO Informing materials. The quality and accuracy of translated materials is the responsibility of the Contractor as identified in Exhibit A, Attachment II, Section 2.0, Informing Materials. The Contractor shall also be reimbursed for the direct costs for focus testing the HCO Program materials when directed by the CDHS. Other direct or indirect costs are excluded.

#### **1.14.1.6 TELEPHONE CALL CENTER TOLL CHARGES**

The CDHS will reimburse only the actual telephone utility charges paid for maintaining toll-free lines available to applicants, beneficiaries, managed care plans, providers, the federal government, the CDHS or other interested parties as authorized in Exhibit A, Attachment II, Section 1.4, Telephone Call Center. Each toll charge incurred by the Contractor will be reimbursed by the CDHS and must be directly supported by a billing from the telephone utility. This excludes all other direct or indirect costs associated with telephone toll charges. An additional exclusion from this category are charges and calls to the Contractor for any activity not stated in Exhibit A - Attachment II, Section 1.4, Telephone Call Center, and any costs incurred for maintenance, equipment, equipment upgrades, software, wiring, repair, or facilities installation.

#### **1.14.1.7 PRESENTATION SITES**

##### **A. Facilities**

The CDHS may determine that it is necessary to conduct HCO presentations in areas where presentations are not currently in operation. When and if the CDHS makes that determination, the CDHS will assist the Contractor in identifying appropriate facilities, and will reimburse the Contractor for any lease, rental, and/or utilities costs it incurs. Costs associated with facilities other than those established under the authority of this section will not be reimbursed by the CDHS. The Contractor is fully responsible for lease, rental, and/or utilities costs associated with its main operating facility, or other facilities not established under the authority of this section. All lease and/or rental agreements for facilities established under the authority of this section must be approved by the CDHS before they are finalized.

##### **B. Office Equipment and Furniture**

The CDHS will reimburse the Contractor actual costs for the lease or purchase it incurs furnishing and equipping HCO presentation sites. Equipment and furniture shall be leased or purchased only after good faith efforts to acquire the necessary furniture through other means have failed, and only after written CDHS approval has been secured (see Exhibit E, Additional Provisions, Section 36, Inventory and Treatment of CDHS Property). Other direct or indirect costs are excluded.

#### **1.14.1.8 DATA ACCESS**

The Contractor shall establish an agreement with the Department of Technology Services (DTS) for computer access to records contained in the Medi-Cal Eligibility Data System (MEDS) and for the use of its telecommunications network. The CDHS will reimburse the actual charges paid by the Contractor for access to these records, as billed by DTS. The CDHS will also reimburse the actual utility charges paid by the Contractor for access to MEDS. Other direct or indirect costs are excluded.

#### **1.14.1.9 TRAINING SESSIONS**

At the direction of the Contracting Officer, the Contractor shall conduct training sessions for non-Contractor staff, as discussed in Exhibit E, Additional Provisions, Section 47, Training. The CDHS will reimburse the Contractor for rental of a facility, if necessary, and travel and per diem expenses in accordance with Exhibit D(F) – Special Terms and Conditions, Travel and Per Diem Reimbursement. Other direct or indirect costs are excluded.

#### **1.14.1.10 SPECIAL OUTREACH AND ENROLLMENT ASSISTANCE**

Costs paid by the Contractor while participating in CDHS-approved outreach and enrollment-assistance activities, such as health fairs, community meetings, and festivals hosted by community centers, churches, community-based organizations, and other organizations, shall be reimbursed by the CDHS. Reimbursable under this category are the direct costs of a booth, signs, materials, and any related expenses. Travel and per diem expenses are reimbursable as provided below. The Contractor, pursuant to Exhibit

A, Attachment II, Section 1.5, Education and Outreach, shall secure written CDHS approval prior to participation in any such event. Any cost related to special outreach and enrollment assistance sessions without prior written CDHS approval shall not be reimbursed. Only those costs related directly to the HCO Program shall be reimbursed. Other direct or indirect costs are excluded.

**1.14.1.11 FACILITIES IMPROVEMENTS AND MODIFICATIONS**

The Contractor is required to provide adequate facilities to CDHS and federal on-site audit and monitoring staff. The costs of maintaining these facilities shall be included in the fixed Contract price. However, the CDHS may require that the Contractor make certain modifications and improvements to these facilities, such as the addition of walls, partitions, electrical, cables, and telephones, and the installation of equipment and monitoring tools to be used for the oversight of Contract operations. The direct costs for these modifications and improvements shall be reimbursed by the CDHS. Other direct or indirect costs are excluded.

**1.14.1.12 INDEPENDENT VERIFICATION AND VALIDATION CONSULTATION**

The CDHS reserves the right to require the Contractor to enter into a Contract with a CDHS-approved Independent Verification and Validation (IV&V) Contractor. If the CDHS exercises this right, it will reimburse the Contractor for the cost of its IV&V Contract. Only the IV&V contract amount will be reimbursed. Other direct or indirect costs are excluded.

**1.14.1.13 PERSONAL COMPUTERS, PRINTERS, COPY MACHINES, RELATED EQUIPMENT AND SOFTWARE**

The CDHS will reimburse all direct costs for the purchase, lease, installation and maintenance of equipment and software as authorized by the Contracting Officer. Other direct or indirect costs are excluded.

**1.14.1.14 TRAVEL AND PER DIEM**

Travel and per diem expenses are separately reimbursed only for the ESRs. ESR travel and per diem expenses are reimbursable under the guidelines set forth in Exhibit G, Travel Reimbursement Information.

**1.14.1.15 COST REDUCTION CHANGE PROPOSALS – DESIGN, DEVELOPMENT, AND IMPLEMENTATION**

The CDHS may reimburse the Contractor for the costs it incurs designing, developing and implementing cost reduction proposals as identified in Exhibit E, Section 24.B Opportunities for Reduction in Operations Costs, Definitions. These costs will be amortized over a twelve (12) month period and shall offset the Contractor's monthly share of savings for the first twelve (12) months following implementation of the proposal.



#### **1.14.1.16 ADDITIONAL SYSTEMS GROUP STAFF**

In the event that the Contracting Officer approves the need for Additional Systems Group staff, as identified in Exhibit A, Attachment II, Section 10.20.2, the CDHS shall reimburse the Contractor for actual expenses paid for these staff. The Contractor shall secure at least three (3) written, competitive cost quotations and then seek the Contracting Officer's written approval for which quoted cost quotation will be used to reimburse the Contractor, prior to incurring any expense. Upon the Contracting Officer's discretion, the competitive cost quotations requirement may be waived.

The additional Systems Group staff shall work only on the project/work for which the Contracting Officer has approved. Supporting documentation, such as, but not limited to, time sheets and vendor invoices, will be required to substantiate expense.

#### **1.14.1.17 MISCELLANEOUS**

The Contractor may use this cost reimbursement category only in the sole discretion and with the prior written consent of CDHS. It provides the CDHS with a mechanism to reimburse the Contractor for the expenses it incurs in meeting its contractual requirements under Exhibit A, Scope of Work, when those expenses cannot be reimbursed under any other cost reimbursement category. When submitting invoices for this category, the Contractor shall submit evidence of CDHS approval for use of this category, along with vendor invoices to substantiate all charges.

#### **1.14.1.18 MEDI-CAL PUBLICATIONS**

This cost reimbursement category is for the CDHS to reimburse the Contractor for the actual costs incurred by the Contractor in the course of completing Medi-Cal Publications work for the CDHS and for distribution functions.

- A. The Contractor shall be reimbursed, separate from the fixed price Medi-Cal Publications Management Services operations rate, for the actual cost of providing services identified in Exhibit A, Attachment II, Section 2.9, Medi-Cal Publications. This includes, but is not limited to, Medi-Cal publication design services, readability services, translation services, focus group testing, and printer services. The Contractor shall receive written CDHS approval before incurring reimbursable costs in this category.
- B. The Contractor shall be reimbursed monthly, in arrears, by the CDHS for the actual costs of freight, delivery, and shipping of Medi-Cal publications. The Contractor shall submit estimates for the cost to ship or deliver Medi-Cal publications when requested by the CDHS. The CDHS shall retain the right to direct the Contractor to use specific shipping methods or carriers.

#### **1.14.2 COST REIMBURSEMENT INVOICE**

The monthly cost reimbursement invoice shall contain one subsection for each cost reimbursement category described in this Contract section. Each subsection shall itemize all charges in that category, and report the category subtotal. The overall grand total shall be reported in the main body of the invoice.

Any approved cost reimbursable expenses incurred as a result of implementing the instructions contained in a C-letter shall be submitted in a separate cost reimbursement invoice.

Sales tax, if applicable, shall be included in the appropriate category and not invoiced separately.

Cost reimbursement expenses related to Medi-Cal Publications shall be invoiced in accordance with Section 1.9.D above.

#### **1.15 COST REIMBURSEMENT PLAN**

The Contractor shall provide an annual Cost Reimbursement Plan to the CDHS on a date established by the Contracting Officer. The annual Cost Reimbursement Plan shall become effective upon approval by the Contracting Officer. The Cost Reimbursement Plan shall:

- A. Outline the major areas of expense by cost reimbursement category.
- B. Delineate methods for reducing costs for each cost reimbursement category (drawing on the previous years' Plan, where applicable).
- C. Specify policies and procedures for collecting and compiling cost reimbursement expenses, and for ensuring that non-cost reimbursable expenses are not billed to the CDHS.
- D. List, in detail, all cost reimbursable expense line items, the specific invoice category each is billed under, and for each, the accounting number/project code used within the Contractor's accounting system.
- E. Describe anticipated project purchases and leases for the upcoming year.
- F. Include a list of key workload indicators within the cost reimbursement program, the monthly volume for each indicator for the previous year and projected volume for the next year. These indicators shall include impression counts, counts of forms printed and imprinted (by type of form), supply expenses, postage expenses, labor expenses, and computer peripheral (e.g., monitor and printer) counts broken out by leased versus purchased.

#### **1.16 TURNOVER**

The Turnover section constitutes all contractual responsibilities required of the Contractor to turnover responsibility for the operation of the HCO Program, as defined in Exhibit A, Attachment III, Turnover. Payment for Turnover will be a fixed price bid to include all cost associated with Turnover activities with the exception of those items paid under Section 1.14, Cost Reimbursement above.

If the incumbent is the successful bidder for the replacement of this Contract, and the CDHS determines that certain Turnover requirements are not necessary, then the Contractor's Turnover fixed price bid shall be reduced by a Change Order so that the

Contractor is not paid for any Turnover requirements that the Contracting Officer identifies as no longer being required.

If the CDHS elects to exercise its option to extend the Contract by use of Extension Phases 1, 2, 3, or an Extended Operations period, the bid rate for Turnover shall be adjusted by any change in the CCPI during the time period for which Operations is extended. Therefore, for Extension Phases 1, 2, 3, or Extended Operations, the bid amount will be adjusted by the CCPI for the same time period as Extension Phase 1, 2, or 3, respectively. Multiple extensions and adjustments may occur.

#### **1.16.1 TURNOVER INVOICE**

Fifty percent (50%) of the Turnover bid price shall be paid in fifteen (15) equal installments, the first of which shall be made upon acceptance and approval of the Turnover Work Plan. Thereafter, the fourteen (14) remaining installments will be paid in the last fourteen (14) months of Contract Operations/Turnover. These installment payments shall be contingent upon receipt of deliverables, achievement of milestones, and the written acceptance/approval of the Contracting Officer. The remaining fifty percent (50%) of the Turnover bid price shall be payable upon completion of all the requirements specified in Exhibit A, Attachment III, Turnover, and receipt of the written acceptance/approval of the Contracting Officer.

#### **1.17 CONTRACT INVOICES**

Each original invoice shall include the following:

- A. Invoice name;
- B. Billing and service period covered by the invoice;
- C. Invoice number (Invoice numbers shall be agreed upon between the Contracting Officer and the Contractor);
- D. Contract payment provision section under which the expense(s) are payable;
- E. Payment requested for the amount due;
- F. Required performance levels and/or deliverables;
- G. A clear statement indicating whether or not the required performance level or deliverable was met or provided; and
- H. A plan to achieve requirement(s) if any requirement(s) were not met.

The Contracting Officer will identify, during Takeover, the number of copies that the Contractor shall submit with each original invoice. In addition to the paper copies, the Contractor must submit the invoice and supporting documentation in electronic form. During Takeover, the Contractor will work with the CDHS on the development of the format and submission method for the electronic version of the invoice and supporting

documentation. The CDHS will deny or reduce any invoice that the Contractor has improperly billed.